



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 29, 2006

H.R. 2840 **Federal Agency Protection of Privacy Act of 2005**

*As ordered reported by the House Committee on the Judiciary
on June 7, 2006*

H.R. 2840 would require federal agencies to assess proposed regulations to determine their impact on the privacy of individuals. The legislation would exclude any agency rule that does not have an impact on personal identification information. H.R. 2840 also would require agencies issuing rules with a potentially significant impact on individual privacy to ensure that individuals have been given ample opportunity to participate in such rulemakings. In addition, the bill would require government agencies to notify any individual whose personally identifiable information has been unlawfully released by the government. Finally, agencies would have to review existing rules to consider the impact on the privacy of individuals at least every 10 years.

CBO estimates that implementing H.R. 2840 would have no significant effect on federal spending and no impact on federal revenues. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

Based on a review of the number and types of agency rules published in recent years, CBO expects that only a small percentage of the rules published annually affect the collection, maintenance, use, or disclosure of personally identifiable information. H.R. 2840 would add to existing regulatory procedures concerning the impact on the privacy of individuals that are already performed by agencies under the Privacy Act of 1974, the Paperwork Reduction Act, the E-Government Act of 2002, and other requirements related to information collected from the public that are specified by the Office of Management and Budget. Based on information from some agencies that would be affected by the bill, we expect that implementing H.R. 2840 would not require significant additional efforts by rulemaking agencies.

In the event that a federal agency inappropriately allows access to personally identifiable information, H.R. 2840 would require that agency to provide written notice to affected individuals within 14 days. The cost of such notification would depend on the number of

security breaches that occur and the number of persons affected, but in most circumstances, it appears that agencies are likely to provide a written notice to affected individuals under current law. (For example, the Department of Veterans Affairs recently lost personal data for millions of veterans and active-duty military personnel, and notified approximately 17 million individuals at a cost of about \$8 million.) Therefore, implementing H.R. 2840 would probably not lead to a significant increase in spending for such notification expenses.

The CBO staff contact for this estimate is Matthew Pickford. This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.